

## Message Text

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ACTION AF-10

INFO OCT-01 EA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05

L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07

SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /137 W

-----087854 041510Z /45

R 030855Z APR 78

FM AMCONSUL JOHANNESBURG

TO SECSTATE WASHDC 7493

INFO AMEMBASSY PRETORIA

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMEMBASSY GABORONE

AMEMBASSY MASERU

AMEMBASSY MBABANE

LIMITED OFFICIAL USE SECTION 1 OF 2 JOHANNESBURG 0848

CAPE TOWN FOR EMBASSY

E.O. 11652: N/A

TAGS: ENRG, EMIN, SF

SUBJECT: REPORTED U.S./JAPANESE COMPANY INTEREST IN SOUTH  
AFRICA'S COAL-TO-OIL CONVERSION PROCESS

1. SUMMARY: DURING CALL ON CONGEN AND RRO MARCH 30,  
ESSO MANAGING DIRECTOR C.E. LYDDON OFFERED RANGE OF INTERESTING  
VIEWS ON RECENT "SASOL SCOOP" ARTICLE FRONT-PAGED MARCH 25 BY  
JOHANNESBURG'S AFTERNOON ENGLISH LANGUAGE DAILY, THE STAR.  
ACCORDING TO THE PRESS REPORT, FOUR UNNAMED AMERICAN GROUPS AND  
ONE JAPANESE CONSORTIUM HAVE APPROACHED THE SOUTH AFRICAN COAL,  
OIL AND GAS CORPORATION LIMITED (SASOL) WITH PROPOSALS THAT COULD  
LEAD TO THE CONSTRUCTION OF SASOL-TYPE COAL-TO-OIL CONVERSION  
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PLANTS IN THE U.S. AND AUSTRALIA. WHILE LYDDON DID NOT DENY THE  
U.S. OIL AND GAS INDUSTRY'S INTEREST IN THE SASOL PROCESS, HE  
NONETHELESS STATED THAT, IN HIS OPINION, THE STORY HAD BEEN BLOWN  
UP OUT OF ALL PROPORTION TO REALITY, A FAMILIAR PRESS PLOY.  
END SUMMARY.

2. STAR CORRESPONDENT JAAP BOEKKOOI CLAIMED IN MARCH

25 ARTICLE THAT "FIVE BIG INTERNATIONAL CONSORTIUMS REPRESENTING BILLIONS OF RANDS HAVE ASKED SASOL FOR HELP IN A MOVE WHICH COULD LEAD TO THE BUILDING OF MAJOR SASOL-TYPE COAL CONVERSION PLANTS IN THE U.S. AND AUSTRALIA". REPORTEDLY, FOUR U.S. GROUPS (UNNAMED FOR "COMMERCIAL REASONS") AND ONE JAPANESE CONSORTIUM (KOBE STEEL, NISSBO-IWAI AND MITSUBISHI) HAVE BEEN NEGOTIATING WITH SASOL TO BUY RESEARCH KNOW-HOW AND PATENTS ON SOUTH AFRICA'S "UNIQUE" COAL-TO-OIL CONVERSION TECHNOLOGY. THE U.S. COMPANIES ARE SAD TO BE INTERESTED IN SASOL'S SUCCEESSFUL METHOD OF GASIFYING LOW-GRADE COALS SIMILAR TO NORTH DAKOTA AND TEXAS LIGNITES, WHILE THE JAPANESE LOOK TOWARD THE DEVELOPMENT OF A PROCESS OF TURN LOW-GRADE AUSTRALIAN BROWN COAL INTO HIGH-GRADE COKE FOR JAPAN'S METALLURGICAL INDUSTRY. THE STAR OPINS THAT THESE CONSORTIA ARE POSSIBLY THE ADVANCE GUARD OF A LONG LINE OF COMPANIES SOON TO BE "BEATING A PATH TO SASOLBURG". LYDDON'S COMMENTS PROVIDE A SOMEWHAT DIFFERENT, AND INDEED A MORE RATIONAL, OUTLOOK.

3. LYDDON REVEALED AT THE OUTSET THAT HIS PARENT FIRM, EXXON, HAS BEEN WORKING RECENTLY WITH SASOL TO PLANT-TEST LOW-BTU TEXAS COAL AT SASOLBURG. SOME MONTHS AGO EXXON MOVED ONE SHIPLOAD OF TEXAS COAL TO SASOL FOR TRIAL GASIFICATION TESTS (VOLUME NOT KNOWN, BUT THOUGHT TO BE ABOUT 15,000-20,000 TONS). TEST RESULTS ARE EXPECTED SOON. HE CONCEDED THAT OTHER OIL COMPANIES WOULD BE SIMILARLY INVOLVED, BUT CLAIMED TO BE UNAWARE OF THEIR IDENTITIES. HE STRESSED THAT THE U.S. INDUSTRY'S APPROACH LIMITED OFFICIAL USE

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GENERALLY, AS WITH EXXON SPECIFICALLY, IS IN THE DIRECTION OF COAL GASIFICATION ONLY; THE ONLY CURRENTLY ECONOMIC CONSIDERATION FOR THE U.S. THE MORE HIGHLY SOPHISTICATED (AND HIGH COST) DOWNSTREAM PRODUCT LINES AT SASOL ARE NOT OF U.S. COMMERCIAL INTEREST AT THE PRESENT TIME (E.G. OILS, WAXES, ETHYLENES, PROPYLENES, LPG, ETC.).

4. IN COAL GASIFICATION, LYDDON NOTED THAT, WHILE A VAST AMOUNT OF BENCH-SCALE AND PRE-PILOT PLANT WORK HAS BEEN DONE BY THE BUMINES AND U.S. INDUSTRY OVER A NUMBER OF YEARS, SASOL REMAINS AS THE ONLY PRODUCTION PLANT WORLDWIDE CAPABLE OF TESTING U.S. COALS ON A FULL-SCALE BASIS. THE SASOLBURG PLANT IS, HOWEVER, NOW NEARING 30 YEARS OF AGE AND DOES NOT ACTUALLY INCLUDE THE LATEST IN KNOWN GASIFICATION TECHNOLOGY. IT IS WORKABLE, OF COURSE; SASOL COOPERATION HAS BEEN EXCEPTIONALLY FORTHCOMING; BUT IT REMAINS AS THE ONLY EXISTING PLANT THAT CAN BE JUDGED AS A PRODUCTION UNIT. SASOL II, CURRENTLY UNDER CONSTRUCTION BY FLUOR CORPORATION (LOS ANGELES), AND OTHERS, WILL HAVE FLOWSHEET IMPROVEMENTS, BUT WILL NOT BE AVAILABLE UNTIL 1980-81. MEANWHILE, THE SASOLBURG INSTALLATION (SASOL I) IS A CONVENIENT "TEST CENTER", AS A SPRINGBOARD FOR IMPROVED

U.S. TECHNOLOGIES AND AT FAR LESS COST THAN WOULD BE THE  
CONSTRUCTION OF A PILOT PLANT IN THE U.S.

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-----102654 041509Z /42

R 030855Z APR 78  
FM AMCONSUL JOHANNESBURG  
TO SECSTATE WASHDC 7494  
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CAPE TOWN FOR EMBASSY

5. FINALLY, LYDDON EMPHASIZED HIS FIRM'S CONSIDERATIONS  
AS TO TIMING. EXXON HAS CONCLUDED THAT THE MOMENT OF  
ECONOMIC DANGER (VIS-A-VIS WORLDWIDE OIL AND GAS SUPPLIES)  
CURRENTLY APPEARS TO BE "THE LATE 1980'S". AT THAT TIME,  
DIMINISHING RESERVES WILL HAVE BEGUN TO HAVE THEIR EFFECT  
UPON INDUSTRY AND THE CONSUMER. GREATER  
DIVERSIFICATION IN ENERGY IS REQUIRED NOW TO PREPARE FOR  
"THAT INEVITABLE DAY". COAL GASIFICATION, FOR ITS PART,  
IS ONLY ONE FACET IN THE OVERALL ENERGY PICTURE, UNECONOMIC  
IN THE UNITED STATES DURING EARLIER PERIODS BUT, IN EXXON'S  
VIEW, AS BASIC REQUIREMENT OF THE FUTURE. EXXON, THEREFORE,  
HAS BEEN MAKING EVERY EFFORT TO ESCALATE RESEARCH AND DEVELOPMENT  
IN EVERY KNOWN FIELD IN THE BROAD ENERGY SPECTRUM. CLEARLY,  
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ALL WORLD ENERGY-ORIENTED COMPETITORS ARE FOLLOWING SIMILAR  
PATHS. TO THE EXTENT THAT SASOL TECHNOLOGY MAY BE USEFUL,  
THE "PATH" MAY INDEED LEAD TO SASOLBURG -- IN THE SHORT RANGE.

6. LYDDON SAID HE WOULD PASS ALONG ANY FURTHER INFORMATION  
HE MIGHT PICK UP IN THE INDUSTRY OR FROM SASOL IN THE NEXT  
WEEK OR SO.  
JOHNSON

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## Message Attributes

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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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**Executive Order:** N/A  
**Errors:** N/A  
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**To:** STATE  
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**Review Markings:**  
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